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By Electronic Filing

Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: COMMENTS – WC Docket No. 03-16: Application
by SBC Communications, Inc. for Authorization to
Provide In-Region InterLATA Services in Michigan

Dear Ms. Dortch:

WorldCom submits this letter in response to the Commission's April 4, 2003 Public Notice requesting comments on the April 3 *ex parte* letter filed by SBC in this proceeding. In addition, we briefly respond to SBC's April 7 *ex parte* letter which describes further problems with its billing system.

On April 3 – day 77 of the Commission's 90-day period for reviewing the section 271 application for Michigan – SBC for the first time attempts to provide a detailed description of the problems it experienced with billing accuracy as a result of the CABS UNE-P conversion. Rather than showing that billing is now accurate, however, SBC's *ex parte* suggests that it likely is not. That is confirmed by the credits that SBC has given WorldCom, which demonstrate that billing problems continued throughout 2002 and into 2003 at a rate unaltered by the improvements SBC claims to have made.

We first note that the Commission should have no sympathy for SBC's late provision of billing information. According to SBC's *ex parte*, SBC knew from the time it planned the CABS conversion that it would have to hold orders for approximately four weeks before they posted to billing. Soon after the CABS conversion began, SBC realized that orders would be held for much longer than four weeks. Yet for nearly two years after SBC planned the CABS conversion, SBC did not inform CLECs of the problems it was experiencing with the conversion. Instead, it left CLECs to attempt to discover inaccuracies on their bills and to puzzle over any inaccuracies they did uncover. This underscores SBC's change management failures. It also should lead the Commission to view with skepticism SBC's belated attempt to provide information on its

errors and then explain them away. SBC could have provided such information far earlier and allowed CLECs, BearingPoint, and the Michigan Commission to thoroughly examine the problems and the fixes. It chose not to do so, possibly because a careful examination would show the full extent of its billing problems.

In its April 3 *ex parte*, SBC makes clear for the first time that the CABS conversion not only led to errors with respect to customer lines that were in SBC's databases prior to the conversion but led to continued problems with orders subsequent to the conversion. Indeed, SBC acknowledges that even as of March 2003, four percent of orders failed to post mechanically to CABS. That is a substantial number of orders, especially if those orders continue to be posted late and/or with errors – something about which SBC provides no data. Moreover, SBC's data on automatic posting of service orders is self-reported. No third party has audited the data and CLECs have not even seen the underlying data. Thus, the number of manually processed orders may be much higher than the 4% SBC claims. In any case, SBC's own metrics show that it has failed the required parity benchmark month after month for billing completeness (which measures the percentage of orders posted within a 30 day billing cycle), with SBC's performance for WorldCom ranging between five and 10 percentage points below parity over the last five months.¹

More fundamentally, the basic premise of SBC's *ex parte* is unsupported. SBC seems to presume that an increase in automatic posting of orders will correlate automatically with a proportional increase in billing accuracy. But SBC presents neither data nor a logical explanation to support that premise.² As SBC has described them, the billing errors that arose from the CABS conversion primarily consisted of billing of circuits that should not have been billed, and failure to bill circuits that should have been billed. But it seems unlikely that these problems can all be traced to delayed posting of orders. SBC does not explain how delayed posting of orders could cause carriers to be billed for circuits that were not theirs, for example. This is critical as it suggests that some as yet uncorrected problem may be responsible for this primary error.³

Moreover, SBC's own data show there is no direct correspondence between held orders and billing inaccuracies. In its reconciliation, SBC determined there were 138,000 circuits that were being erroneously billed. Yet this does not correspond either to the total number of orders that were held prior to the reconciliation (which was 750,000 for the embedded base and included many subsequent orders as well) or to the number of

¹ This is based on PM 17 through February 2003, the last month for which SBC has made complete data available.

² Of course WorldCom is a proponent of automation and believes that automation generally reduces delay and decreases the opportunity for manual errors. But it simply cannot be presumed that automation resolves all problems. At least some of the problems that resulted in erroneous billing of circuits may well have been systems issues that would not be resolved by further automation – such as the flaws in RoboTask that led to incorrect information on posted orders. There needs to be direct evidence of billing accuracy, not just inferences from further automation.

³ While delayed posting might temporarily explain why carriers were not billed for circuits that were theirs, one would think that when the orders finally did post SBC would begin billing carriers correctly for these circuits and would automatically correct past billing on these circuits. Thus, as SBC's performance in posting orders ostensibly improved, SBC's past errors should have been fixed. But the reconciliation revealed 138,000 circuits that were misbilled, showing that improvements in order posting had not fixed all billing problems.

orders that were still being held at the time of the reconciliation (100,000 were being held in August and this number ostensibly decreased thereafter). But absent a direct correspondence between held orders and billing inaccuracies, there is no reason to conclude that a reduction in held orders would lead to a corresponding decrease in billing inaccuracies.

SBC's *ex parte* itself shows that even the elimination of held orders would not eliminate billing inaccuracies. SBC describes problems caused by the CABS conversion that have nothing to do with the timeliness of posting of orders on a going-forward basis. SBC indicates that "some of the embedded base circuits that were converted to CABS contained inaccurate information," April 3 *ex parte* at 2, and the same problem affected new orders, *id.* at 3. SBC also says that billing orders posted out-of-sequence, *id.* at 6. Yet SBC provides no evidence that automatic posting of orders would resolve these problems.

That is because the facts are clear that SBC's improvement in automation of order posting has *not* translated into a corresponding improvement in billing accuracy. There is no reason to rely only on inferences from SBC's *ex parte*. The credits that SBC provided to WorldCom demonstrate indisputably that any improvement SBC experienced in order posting during 2002 did not translate into a substantial improvement in billing accuracy. On WorldCom's February 2003 bill, SBC credited WorldCom for thousands of circuits that were billed to WorldCom even though they no longer belonged to WorldCom. The credits show that over the course of 2002, SBC's performance initially improved, but this improvement did not last. Performance at the end of the year was approximately the same as the performance at the beginning of the year.

SBC's credits show a start date for the various credits. Thus, for example, SBC credited WorldCom for 1,176 circuits on which the starting date of the credit was January 2002. SBC credited WorldCom for these circuits because it had billed WorldCom after January 2002 on these circuits but should not have done so. These were circuits of customers that WorldCom had lost in January 2002 or had never owned in the first place but that SBC billed after January.

In the first half of 2002, SBC's performance improved although it never reached anywhere close to acceptable levels. SBC's credits show that it billed WorldCom for 1,059 circuits after February 2002 that should have stopped billing in February, for 789 circuits after March 2002 that should have stopped billing in March, for 597 circuits after April 2002 that should have stopped billing in April, for 687 circuits after May 2002 that should have stopped billing in May, for 490 circuits after June 2002 that that should have stopped billing in June, for 538 circuits after July 2002 that should have stopped billing in July, and for 511 circuits after August 2002 that should have stopped billing in August. This poor performance in mid-2002 was the best that SBC was able to muster. In the second half of 2002, SBC's performance deteriorated. SBC billed WorldCom for 860 circuits after September 2002 that should not have been billed after September, for 1,026 circuits after October 2002 that should not have been billed after October, for 1,259 circuits after November 2002 that should not have been billed after November, and for 998 circuits after December 2002 that should not have been billed after December 2002. Thus, the problem at the end of the year was about as bad as it was at the beginning of the year.

The problem continued in January 2003. On WorldCom's February 2003 bill (which billed WorldCom through part of January), SBC credited WorldCom for 322 circuits from approximately the first half of January that were billed beyond when they should have been billed. In other words, whatever SBC did to improve its held-order processing did not translate into improvements in billing accuracy. Even at the beginning of 2003, SBC apparently remained unable to ensure that it stopped billing WorldCom after customers left WorldCom or that it did not begin billing WorldCom for customers that never belonged to it. And there is no reason to believe that there was any improvement thereafter.

Like the credits, the debits SBC provided on WorldCom's February 2003 bill also suggest that the billing problems were not fixed by the summer of 2002. Under the terms of WorldCom's interconnection agreement, SBC can only debit WorldCom back six months from the time of the debit. Because SBC's reconciliation occurred in January, SBC could only back-bill WorldCom until July 2002. Thus, unlike with the credits, WorldCom cannot compare SBC's performance for the beginning and end of 2002 because WorldCom does not know what circuits were misbilled prior to midyear. *All* of the debits from the reconciliation are based on billing that took place in July and beyond. But the fact that SBC debited WorldCom millions of dollars for billing errors that took place in the second half of 2002 strongly suggests that significant billing problems continued during that time period.

None of the data SBC provides contradict what is apparent from its credits and is also suggested by its debits. SBC does not even attempt to show that as its automation of CABS posting increased, the number of erroneously billed circuits decreased. Indeed, SBC presents no data at all that directly relate to order accuracy. The only data SBC presents relate to automation of order posting, but as we have seen, this does not translate directly into increased billing accuracy.

SBC points to the BearingPoint test. But BearingPoint too evaluated only the percentage of orders posting to CABS in a timely manner, not the accuracy of the bills. BearingPoint did not evaluate whether SBC was billing it for circuits that were not ordered. Moreover, in conducting its examination, BearingPoint was unaware of the extensive billing problems that SBC had found, and thus did not know to focus its attention on the billing issue. Finally, because the BearingPoint test took place after the CABS reconciliation, BearingPoint could not evaluate any continuing problems caused by issues with the embedded base.

Indeed, this is a problem with SBC's claims more generally. Even if SBC's data on improved performance with respect to posting of orders showed improvement in billing accuracy on a going-forward basis (and it does not), that data would show nothing about whether about whether *prior* posting problems have resulted in ongoing billing errors. For example, earlier errors that caused SBC to bill carriers for circuits they did not own may still be causing erroneous inclusion of those circuits on each monthly bill. Of course, the reconciliation was designed to eliminate the impact of past problems. But no third-party has audited the results of the reconciliation. And because SBC did not provide credits based on the reconciliation until the February bills, CLECs have not yet had a chance to complete the complex audits needed to determine the accuracy of the reconciliation.

Early results are not promising, however. Despite the complexity of the auditing process, WorldCom has just completed an audit of a small sample of circuits included in the reconciliation – and will be discussing its results shortly with SBC. WorldCom audited 19 circuits for which SBC debited WorldCom as a result of the reconciliation because SBC concluded they were WorldCom customers who had been erroneously left off of prior bills. Yet when WorldCom conducted the audit, based on SBC's records nine of the 19 circuits did not in fact belong to WorldCom and had not belonged to WorldCom during the period for which debits were charged.⁴ Moreover, SBC had transmitted line loss notifications to WorldCom for four of the nine circuits. (On the other five circuits, WorldCom had long ago transmitted disconnect requests to SBC because, for example, the customers had moved. Thus, WorldCom did not expect to receive a line loss on these circuits.) All of the evidence, therefore, is that many of the circuits in WorldCom's sample did not belong to WorldCom during the relevant time period, yet SBC somehow concluded these circuits were WorldCom's and charged WorldCom for the circuits.

Conversely, SBC appears to have concluded in its reconciliation that WorldCom should not have been billed for some circuits that did in fact belong to WorldCom. WorldCom sampled 19 circuits for which SBC provided credits as a result of the reconciliation. Of these, WorldCom found eight circuits that are included in WorldCom's databases as WorldCom circuits. All eight are also listed as WorldCom circuits on SBC's CSRs.⁵ We are very interested in SBC's responses on these issues, but it appears based on the initial evidence that SBC's credits, like its debits, are inaccurate.

Finally, it appears that SBC's calculation of debits and credits is incomplete. SBC apparently analyzed the state of customers at a particular point in time as revealed by the fact that all of the tens of thousands of credits and debits are calculated through February 15, 2003. Thus, all of the customers that were incorrectly billed in periods ending before February 15, 2003 are apparently omitted from SBC's credits and debits. If, for example, a circuit was incorrectly included on WorldCom's bills beginning in August 2002 and ending in December 2002, that circuit does not appear to have been included in the credits, as the only credits provided were those that extended through February 15, 2003. Similarly, if a circuit that should have been included on WorldCom's bills beginning in September 2002 and ending in November 2002 was not, WorldCom appears not to have been debited for the circuit. Given the fact that many customers come and go each month, this is not an insignificant problem, and would not balance out any more than the rest of the credits and debits. Yet SBC has not explained when, if ever, it intends to analyze all of these accounts and make appropriate adjustments.

Nor is this the end of SBC's billing issues. SBC's April 7 *ex parte* describing two more "isolated" problems with Post to Bill notifications is yet another example of SBC's failure to look at its systems and its failure to notify CLECs. One of the problems affected 14,000 service orders in January of this year; the other affected orders between June 2002 and March 2003. Even though neither problem has been fully remedied (although there may be progress on April 10), SBC attempts to dismiss both with a wave

⁴ None of the nine had belonged to WorldCom since February 2002 or earlier.

⁵ If SBC is correct that these circuits are not WorldCom circuits, then the fact they continue to be listed as WorldCom's circuits on the CSRs would cause many problems – not the least of which is that SBC would presumably bill WorldCom recurring charges for these circuits on an ongoing basis.

of its hand as being of no consequence. These problems are with LSOG 5 and do not directly impact the bulk of WorldCom's orders (yet), but they certainly suggest that SBC's billing programs still contain problems. Delays in billing notifications often result in delays in posting of orders to billing – the one problem that SBC's *ex parte* claims is fixed.

At bottom, SBC is asking the Commission to trust that it has now fixed major billing problems that SBC chose not to reveal to CLECs, BearingPoint or the Michigan Commission until it filed its applications here. It is doing so based on self-reported data that does not even directly address the question of billing accuracy. The only direct evidence of billing accuracy – the credits that SBC provided to CLECs – shows that bills were inaccurate throughout 2002 and into 2003. There is simply no basis for believing SBC's claim that the billing problems have now been fixed.

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For these reasons, SBC's section 271 application for Michigan should be denied. Please let us know if you have any questions.

Pursuant to the Commission's rules, I am filing an electronic copy of this letter and request that it be placed in the record of this proceeding.

Sincerely,

Keith L. Seat

cc: Christopher Libertelli, Matthew Brill, Dan Gonzalez, Jessica Rosenworcel, Lisa Zaina, Jeffrey Carlisle, Michelle Carey, John Stanley, Gina Spade, Russ Hanser, Michael Engel, Marcus Maher, Denise Coca, Monica Desai, Douglas Galbi, Jennifer McKee, Susan Pié, Qualex International, Mike Hirrel (DOJ), Layla Seirafi-Najar (DOJ), Dorothy Wideman (Michigan PSC), Ann Scheidewind (Michigan PSC)